AGN. NO.____

MOTION BY SUPERVISORS SHEILA KUEHL
AND MARK RIDLEY-THOMAS   August 11, 2015

On February 10, 2015, the Board of Supervisors (Board) directed the Interim Chief Executive Officer (CEO) and the Auditor-Controller to submit a report to the Board that evaluates potential State Fiscal Year (FY) 2015-16 reimbursements for claims under the Property Tax Relief Act of 1972, also known as SB90. Under the provisions of SB90, local government entities can submit requests for reimbursements for the costs of new or enhanced programs mandated (i.e. unfunded mandates) by the State of California. As of February 2015 the County of Los Angeles (County) had outstanding SB90 Reimbursement Claims of $252 million for services provided to County residents through various County departments.

On August 6, 2015, the Interim CEO submitted a report to the Board that included the requested analysis and recommendations. The report identifies $109,387,708 in SB90 reimbursements received in late FY 2014-15 to reimburse the County for expenses incurred before June 30, 2004. In many cases, because of the anticipated delay in reimbursement, the County established cash-backed long-term receivables for these SB90 claims, using net County cost (NCC). In other cases, departments used their own revenues or NCC-subsidized expenditure savings to

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account for the delayed reimbursements.

The Interim CEO's SB90 report recommends that the $109 million be distributed for the long term receivables repayment ($70,188,910) which was backed by NCC; departmental repayment ($37,372,890) for those departments that absorbed costs due to the delayed SB90 reimbursement; and to create an audit reserve ($1,825,908) to resolve potential audit claims and disallowances.

The reimbursement for the long term receivables makes the NCC previously set-aside available for reprogramming. It is important that a portion of these funds be used to supplement the Rainy Day Fund which would bolster the County's long-range financial stability. It is also important that these funds be utilized to facilitate the wholesale transformation of the County's approach to incarceration and treatment of individuals with mental illness and/or substance abuse issues.

County jails remain overcrowded with a population of over 17,000 inmates, more than 3,000 of whom have serious mental illness, with thousands more having substance abuse issues. Many of these inmates are categorized as low-risk. For various reasons, the delivery of mental, health and substance abuse services within the County's present jail environment is difficult for both inmates and Custody staff. By transitioning a number of low-risk inmates from the jail setting to community-based treatment programs the County can provide better care and treatment and reduce the risk of harm to staff caused by working in overcrowded jail facilities.

On June 9, 2015, the Board directed the Interim CEO to hire a consultant to assess the number of treatment and non-treatment beds needed for the downtown Consolidated Correctional Treatment Facility and to conduct a capacity assessment of all community-based alternative options for mental health, substance abuse and other types of treatment. Based on this direction, the Interim CEO hired an independent expert, Health Management Associates (HMA), to analyze this issue. The August 4, 2015 HMA report highlights the current limited capacity for community-based treatment and alternatives to incarceration for low-risk individuals. The report also notes that the recently submitted amendment of California's Section 1115 Medicaid Waiver to expand Drug Medi-Cal services may expand ongoing funding streams that could support the operations of additional community-based substance abuse treatment facilities.

Last week this Board received the final Mental Health Diversion report from the District Attorney and the Criminal Justice Mental Health Advisory Board. While the report was robust and impressive, it focused mainly on diversion opportunities for the population of inmates who have mental health issues. It is clear, however, that when the Advisory Board's report and the HMA report are considered together, that there are also opportunities for this County to create diversion programs that specifically target low-risk inmates who have substance abuse issues but do not have a diagnosis of mental illness. Although this Board does not yet have a clear set of recommendations for how this additional capacity for community-based substance abuse treatment options could be created, it is incumbent upon this Board to consider setting aside funds today that can be deployed in the future to address these unmet needs.

As we consider how to address the recommendations from the Advisory Board report and invest in a diversion program for mentally ill, low-risk individuals, we believe that this Board should also consider allocating a portion of its SB90 reimbursement revenue to address the findings of the August 4, 2015, HMA Report to increase capacity for community-based substance abuse treatment.

WE, THEREFORE MOVE that the Board of Supervisors:

A. Approve the Interim Chief Executive Officer's recommendation to deposit $50,000,000 of the $70,188,910 Long Term Receivables Repayment into the

County's Rainy Day Fund, which will increase the Rainy Day Fund balance from $256 million to $306 million.

B. Instruct the Interim Chief Executive Officer to transfer the remaining $20,188,910 of the Long Term Receivables Repayment into the existing Provisional Financing Uses – Comprehensive Diversion account in the Fiscal Year 2015-16 Supplemental Changes Budget. The expenditure plan, to be adopted by the Board at a later date, will likely focus on the needs for and opportunities to increase the capacity of local community-based service providers to offer specialized substance use treatment services to one or more of three target populations:

   i. Clients with co-occurring disorders who are currently incarcerated.
   ii. Clients who were formerly incarcerated.
   iii. Clients who are participating in a community-based alternative to incarceration program.

C. Approve the Auditor-Controller's recommendation to deposit $1,825,908 of the County's SB90 reimbursements into an Audit Reserve.

D. Approve the Interim CEO's recommendation to allow $17,960,012 of the County's SB90 reimbursements to accrue to the year-end balances for the Fire Department, Health Services Department and the Department of Mental Health.

E. Direct the Interim Chief Executive Officer to allocate the remaining balance of the County's SB90 reimbursements, up to $19,412,879, to Deferred and/or Extraordinary Maintenance needs in the Fiscal Year 2015-16 Supplemental Changes Budget.

S: KK/SB90 Motion